

FEDERAL HOME LOAN BANK OF CHICAGO 2003 COMMUNITY LENDING PLAN

Introduction

Pursuant to 12 C.F.R. Sections 952.4 and 936.6, the Federal Home Loan Bank of Chicago (Bank) has developed the Bank's annual Community Lending Plan. The Bank's 2003 Community Lending Plan (Plan) builds upon the first Community Lending Plan of 2000, as credit needs identified in that year's plan have not materially changed. This Plan consists of three parts. Part I describes Bank Activities in 2003; Part II outlines Quantitative Performance Goals for 2003; and Part III reviews how members are notified of opportunities that enable them to meet community support requirements and engage in economic development lending.

Recent economic assessments conducted by federal and state authorities, including the Federal Reserve Bank of Chicago and the Wisconsin Department of Revenue, indicate that Illinois and Wisconsin may be slowly recovering from the economic fallout of 2001/2002.¹ Though growth across industries remains uneven, strong housing markets in both states serve as important engines for overall economic growth. This Plan considers these trends and establishes a community lending strategy that reflects the states' economic outlooks for 2003.

I. Bank Activities in 2003

A. *Continue to encourage broader use of Community Investment Cash Advance (CICA) products.*

- ***Increase member and community and economic development organization awareness of CICA products.***
 - Build relationships with housing and economic development partners.
 - Support and participate in conferences and workshops with community and economic development organizations.
 - Consider special offerings to increase program participation.
- ***Coordinate marketing efforts by Banking and Community Investment Groups to increase the use of CICA products.***
 - Co-host informal seminars throughout the district.
 - Develop marketing materials illustrating the benefits and ease of using the Bank's community lending products.
- ***Enhance outreach, promotion and targeting of programs to increase customer usage.***
 - Continue to provide information summarizing successful member and sponsor activities and projects to encourage further participation by members and partner organizations.

¹ *The Beige Book*. (July 2002) The Federal Reserve Board.

Wisconsin Economic Outlook. (August 2002) Wisconsin Department of Revenue, Division of Policy Research.

- Better utilize the Bank's Internet website at www.fhlbc.com to provide information and promote its affordable housing and community lending products.

➤ ***Continue efforts to streamline and facilitate usage of the Affordable Housing Program.***

- Increase up-front technical assistance to avoid potential monitoring and compliance issues.
- Enhance the effectiveness of monitoring and compliance reports as management tools.
- Advocate AHP regulatory simplification with the Federal Housing Finance Board.
- Make greater use of automation and the website for program delivery, monitoring and compliance.

B. Continue to promote economic development and affordable homeownership opportunities in small and rural communities.

- Work with Downpayment Plus[®] administrators to increase rural and small member participation in the program.
- Increase marketing efforts directed toward members that serve rural areas, promoting the use of CICA products (i.e., CIP, AHP and EDA).

C. Continue efforts to partner Community Investment Products with the Mortgage Partnership Finance (MPF) Program.

Participating Financial Institutions delivering mortgage loans in the Mortgage Partnership Finance[®] Program may include loans with AHP funds that are part of homeownership set-aside programs sponsored by a FHLB, in their delivery commitments.

D. Spearhead the creation of the MPF[®] Foundation Enterprise Partnership Fund.

In 2003, the Bank's MPF[®] program expects to reach its goal of \$25 billion in loans outstanding, beyond which it plans to use a portion of MPF[®] profits to capitalize the MPF[®] Foundation Enterprise Partnership Fund. The MPF[®] Foundation will seek to offer a unique funding source that pursues root causes of and long-range solutions to communities' economic development and affordable housing needs. The Bank is exploring a range of options for Foundation activities, including providing capital to stimulate investment in small businesses and other enterprises benefiting low- and moderate-income areas and/or residents.

Creation of the Foundation requires that the Bank determine its vision for the Foundation, including the mission, priorities, objectives, core activities, governance, and staffing structure. To accomplish this, Bank staff will:

- Research the activities and structure of existing model foundations.
- Collaborate with the Bank's Legal Department regarding corporate form and the application of the Government Corporations Control Act.
- Research all other relevant issues and develop a proposal.

E. Invest in HUD-Guaranteed Section 184 Loans to promote mortgage lending in Native American areas.

The Indian Home Loan Guarantee Program was created under Section 184 of the Housing and Community Development Act of 1992 to address the lack of mortgage lending in Indian and Alaska Native areas. This program guarantees 100 percent of principal and interest, plus certain costs and expenses, on loans made for the acquisition, construction, and/or rehabilitation of one-to-four family housing located on Indian land. Because much Indian land is held in trust by the U.S. government, it has been historically difficult for lenders to place liens on it, thus hindering Native Americans' access to mortgage loans. Bank investment in HUD-guaranteed Section 184 loans will constitute yet another way in which the Bank can pursue its mission of assisting members in providing affordable housing in their communities.

F. Provide Financing to Small Business Investment Companies.

The U.S. Small Business Administration and the Bank have partnered to provide interim short-term financing to Small Business Investment Companies (SBICs.) The primary purpose of this relationship is to make funding available to SBICs in between the semi-annual issuance of debentures by the SBA. Upon notification and authorization of a funding need by the SBA Trustee, the Bank makes available funding within 24-hours. The program is named "Just-In-Time" Funding.

A related program is titled the Low or Moderate Income (LMI) Debenture program. The LMI Debenture program is available for use by SBICs that issue debt qualifying as "LMI Investments" under section 170.50 of the SBA regulations. The Bank has agreed to purchase all LMI debentures and hold them to maturity. SBICs choose between either a 5-year or 10-year maturity period. This program is primarily designed to assist small businesses that are either owned by low-and moderate-income individuals or are located in low-and moderate-income communities.

All Bank SBIC transactions are guaranteed by the Small Business Administration.

G. Collaborate with the SBA to Promote the New Market Venture Capital Program.

New Market Venture Capital (NMVC) Companies will be newly formed for-profit investment funds with private management. Their objective will be to promote economic development and the creation of wealth and job opportunities in low-income geographic areas and among individuals living in such areas. NMVC Companies will pursue their objectives by making equity-type investments in small enterprises located in low-income geographic areas.

The SBA will designate and enter into participation agreements with NMVC Companies that detail the specific low-income area(s) to be served, how the area(s) will be served, what results are to be achieved, and how the success of the NMVC Company will be measured.

All Bank NMVC Company transactions will be guaranteed by the Small Business Administration.

H. Conduct ongoing market research to assess unmet credit needs and market opportunities for community lending.

The Bank will further encourage the use of CICA programs by working with new and existing stockholders, assisting them in identifying needs in their lending areas, designing programs to address those needs, and determining the most appropriate product(s) to address those needs. In addition, in 2003 the Bank will:

- Evaluate the demand for a targeted program for use by smaller multi-family projects.
- Enhance the Community Investment Department's capacity to develop and deliver new initiatives.

I. Provide Technical Assistance to Members and Community Groups.

The Bank will provide technical assistance to stockholders and housing and economic development organizations in the district on an ongoing basis, including assistance in the preparation of AHP, CIP, EDA, and LOC applications. Technical assistance activities include presentations and co-sponsorship of community lending workshops and seminars, consultations with members and housing development organizations, and continuous availability through phone contact.

J. Consult with Advisory Council and Others.

The Bank will consult with its Advisory Council and with members, nonmember borrowers, and public and private economic development organizations in the Bank's district to develop and implement its Community Lending Plan.

II. Quantitative Performance Goals for 2003

Community Lending Transactions:

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| ➤ Dollars in CICA Advance Originations (CIP & EDA) | \$275 million |
| ➤ Number of members originating CICA credit products | 40 |
| ➤ Percentage of members participating in CICA programs | 26% |

Affordable Housing Program:

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| ➤ Number of competitive AHP applications | 140 |
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Public Relations and Community Involvement:

- | | |
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| ➤ Number of specific conferences and workshops in which the Bank will participate or support | 10 |
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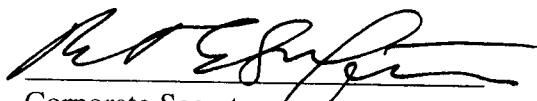
III. Annual Notification to Member Institutions

Each year the Bank informs members and others of CICA programs and other Bank activities that enable members to meet community support requirements and engage in community lending. Notification is provided using the following methods:

- Press Releases
- Special mailings
- Community Investment Advisory Council Annual Report
- Bank publications
- The Bank's website, www.fhlbc.com

Approved this 17th day of
December, 2002.

BOARD OF DIRECTORS


Corporate Secretary